

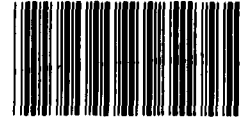


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UNITED STATES GENERAL ACCOUNTING OFFICE
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PHILADELPHIA, PENNSYLVANIA 19106

October 19, 1983

The Honorable Pierre S. du Pont
Governor of Delaware
Legislative Hall
Dover, Delaware 19901



122871

Dear Governor du Pont:

Subject: Delaware's Early Implementation of the Small
Cities Community Development Block Grant Program

Enclosed is our final report which describes Delaware's decisionmaking process in implementing the Small Cities Community Development Block Grant Program as authorized by the Omnibus Budget Reconciliation Act of 1981. It also provides a comparison of 1982 State-funded activities and populations targeted with those of the Department of Housing and Urban Development (HUD) in 1981 and provides local communities' and others' perceptions of the success of Delaware's program. Delaware was one of seven States we visited in order to provide the Congress with up-to-date information on States' progress in implementing their Small Cities Program. We previously sent you a copy of our overall report to the Congress, "States Are Making Good Progress in Implementing the Small Cities Community Development Block Grant Program" (GAO/RCED-83-186, Sept. 8, 1983), which incorporated the results of our work in seven States. The enclosed report details the results of our review in Delaware.

Essentially, we found that Delaware's fiscal year 1982 Small Cities Program resembles the HUD-administered program of fiscal year 1981. Both programs directed the majority of their funds to public facility and private housing rehabilitation activities. HUD spent slightly more on public facilities than on private housing rehabilitation; in contrast, Delaware spent more than twice as much on housing rehabilitation than it spent on public facilities. Each program awarded a similar level of total funds, but Delaware granted over twice the number of awards that HUD made in the previous year. Consequently, the State's awards were generally smaller than those made by HUD. Furthermore, they were usually awarded to smaller communities. In keeping with its program objectives, Delaware also targeted populations that were almost entirely comprised of low- and moderate-income persons. (See enc. III.)

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State and HUD program officials, as well as public interest group officials, generally view Delaware's program as being successful, often citing increased community participation as an indication of the program's achievement. Delaware's Director of Housing believes the shift to State administration will mean a more effective and timely response to community needs. The HUD and public interest group officials told us they were pleased with the State's program and said that the State is responsive to the communities' needs. (See enc. IV.)

The communities said Delaware's Small Cities Program was adequate, with most communities indicating the program met their local development needs and followed award procedures that were fair. The communities generally said that Delaware's program was equivalent to or better than HUD's program in several areas, including application procedures and eligibility requirements. Most communities also said that the technical assistance the State provided in preparing applications was helpful. However, when the grant recipients compared this assistance with that previously provided by HUD, most communities responded that the State's assistance was less helpful. The grantees were also critical of the State's reimbursement process, with some characterizing it as being slow and cumbersome. Delaware's Director of Housing informed us that revisions have occurred to streamline the reimbursement process, thus correcting the payment delays. (See enc. IV.)

Delaware emphasized the importance of the local communities' participation in designing the program and conducted activities which resulted in extensive input from a variety of sources. For example, the State held a HUD-sponsored design forum to aid in developing Delaware's Small Cities Program which was attended by numerous community representatives as well as several officials from the State, HUD, and public interest groups. The communities told us that they were pleased with the amount of communication between themselves and the State prior to implementation of the program. (See enc. II.)

We provided a draft of our report to your office and to State legislative officials for review and comment. Your responding letter of March 7, 1983, and a March 1, 1983, letter from State Senator Ruth Ann Minner, Chairman of the Senate Committee on Community Affairs, essentially expressed a great sense of satisfaction with the State-administered program and its benefits to the communities. Both letters pointed out that Delaware's need for community development activities greatly exceeds the available funds and that an increase in the State's grant would add to the program's success. In addition, the Senator expressed concern about the communities' perceptions that the State's assistance was less helpful than HUD's in preparing applications, and that Delaware's reimbursement process was slow and cumbersome. (See encs. VI and VII.)

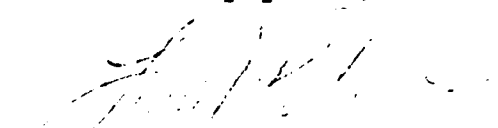
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Enclosure V of this report contains detailed information regarding the objectives, scope, and methodology of our review.

Copies of this report are being sent to State Senator Ruth Ann Minner; Delaware's President of the Senate, Speaker of the House, and U.S. congressional representatives; the HUD regional administrator responsible for the State of Delaware; and other interested parties.

Thank you for the cooperation of and time spent by State officials in assisting us during our review. Without their full cooperation and assistance, we most likely could not have provided early input to the March 1983 Community Development Block Grant Program reauthorization hearings.

Sincerely yours,



Louis J. Rodrigues
Acting Regional Manager

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ABBREVIATIONS

DOH	Division of Housing
FY	fiscal year
HUD	Department of Housing and Urban Development

INTRODUCTION

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) substantially changed the administration of various Federal domestic assistance programs. The act consolidated numerous Federal categorical programs into nine block grants and shifted primary administrative responsibility to the States, with Federal agencies retaining a stewardship role. Of the nine block grants enacted, four related to health services, two to social services, one to low-income energy assistance, one to education, and one to community development. Six of the block grants were newly created and three involved changes to existing ones. Under the provisions of the act, States are provided greater discretion, with certain legislative limits, to determine programmatic needs, set priorities, allocate funds, and establish oversight mechanisms. Since passage of the act, a great deal of interest has been expressed by the Congress, as well as the public and private sectors, on what impact the new approach to block grants is having on services provided to the people.

We are reviewing the Small Cities Community Development Block Grant Program, and the other eight block grant programs, to provide the Congress with detailed information on the States' implementation of the programs. This report provides information on the Small Cities Community Development Block Grant Program in the State of Delaware. Specifically, it describes the decisionmaking process used to design the State program, including how Delaware met its public participation certifications; the State's process of selecting local funding recipients in 1982; a comparison of State funding of community development activities in 1982 with Department of Housing and Urban Development (HUD) funding in 1981; and local communities' and others' perceptions of how Delaware is administering the 1982 program compared with how HUD administered the previous program.

HISTORY OF THE SMALL CITIES PROGRAM

The Small Cities Program had its beginnings with the passage of the Housing and Community Development Act of 1974 (Public Law 93-383). Title I of this act created the Community Development Block Grant Program. It replaced several former categorical grant and loan programs under which communities applied for funds on a case-by-case basis. The primary objective of title I was the development of viable urban communities by providing decent housing and suitable living environments and by expanding economic opportunities, principally for low- and moderate-income persons.

The program allowed communities two types of grants--discretionary and entitlement. Small communities in metropolitan areas and communities in nonmetropolitan areas

were eligible to receive annual discretionary grants. These communities were made up largely of cities having a population of under 50,000 people and could receive funding only through a competitive process. Funds were awarded at HUD's discretion after it considered applications. Known initially as the discretionary grant program, the program evolved into the current Small Cities Program. Annual entitlement grants were made to cities with populations of over 50,000 people, central cities of standard metropolitan statistical areas, and some urban counties with populations of over 200,000 people.

Subsequent amendments to title I of the act made a number of changes to the program. For example, the Housing and Community Development Act of 1977 (Public Law 95-128) redesignated the discretionary grants portion of the program to what is known today as the Small Cities Program. This act also authorized HUD to make two types of programs available to small cities--comprehensive and single-purpose grants. Comprehensive grants involve commitments, for periods of up to 3 years, to carry out two or more activities that address a substantial portion of community development needs within a reasonable period of time. Single-purpose grants are for one or more projects that consist of one or a set of activities to meet a specific community development need.

Before the Omnibus Budget Reconciliation Act of 1981 was passed on August 13, 1981, two States--Kentucky and Wisconsin--participated in a HUD-authorized demonstration to test States' ability to administer the Small Cities Program. The demonstration was undertaken to determine whether an expanded role for States in the Small Cities Program would increase the effectiveness of the program in meeting the needs of distressed areas and low- and moderate-income persons. Kentucky and Wisconsin were selected from a pool of nine States which applied to participate in the demonstration, primarily because they had the staff and resources to carry it out and had a record for State activities compatible with the objectives of the Small Cities Program. According to HUD, the results of the demonstration indicated that the States had the capacity to administer a Federal community development program and to do so with the cooperation of small communities.

Title III of the Omnibus Budget Reconciliation Act of 1981 resulted in substantial revisions to the administration of the Small Cities Program. Although the primary objective of carrying out community development activities that principally benefit low- and moderate-income persons remains unchanged, HUD regulations (24 CFR Part 570) on the State-administered program state that this overall objective is achieved through a program where the projected use of funds has been developed to give maximum feasible priority to activities which will benefit low- and moderate-income families or aid in the prevention or elimination of slums or blight. The projected use of funds may also include

activities which the grantee certifies are designed to meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet such needs.

The 1981 act put State and local authorities more clearly at the center of the decisionmaking process and reduced the discretionary power that HUD held over program decisions. Title III gives States the option to assume primary administrative responsibility for the Small Cities Program, including distributing funds under a State-developed program. States are free to develop purposes and procedures for distributing funds as State and local priorities dictate, subject to the objectives and other requirements of the act.

In lieu of preparing a block grant application, the Omnibus Budget Reconciliation Act of 1981 requires each State electing to administer the program to prepare a statement of community development objectives and its projected use of the funds. The projected use of funds shall consist of the method by which the State will distribute funds to units of local government. The act provides that each State must certify, among other things, that the projection of how funds will be used has been developed in a way that gives maximum feasible priority to benefiting low- and moderate-income families or preventing slums and urban blight. The projected use of funds may also include activities that the State certifies have been designed to meet community development needs of particular urgency because existing conditions pose a threat to the health and welfare of the community, and other financial resources are not available to meet those needs. The act also sets forth specific requirements to permit public examination and appraisal of the proposed and final statement of objectives and projected use of the funds, to enhance the public accountability of States, and to facilitate coordination of activities with different levels of government. Each State is required to certify to HUD that it has met these requirements.

If a State elects not to accept primary responsibility for administering the program or if it fails to submit the required certifications, small communities would continue to be eligible to receive small cities grants from the HUD-administered program.

In fiscal year 1982, 36 States and Puerto Rico elected to assume responsibility for administering the Small Cities Program. As of August 1983, 46 States and Puerto Rico have elected to administer the program. Hawaii, Kansas, and Maryland have decided not to administer the program, while New York needs the approval of its legislature before notifying HUD of its intention to administer the program.

As structured under the Omnibus Budget Reconciliation Act of 1981, 30 percent of the funds appropriated to the Community

Development Block Grant Program are allocated to the Small Cities Program after deducting funds allocated to the Secretary's Discretionary Fund. After determining the amount of funds available for the Small Cities Program, grants to individual States are calculated on the basis of two formulas that existed under prior law. One formula takes into consideration poverty, population, and overcrowded housing. The other formula considers poverty, population, and age of housing stock. The allocation to each State is based on whichever formula yields a higher level of funds.

In fiscal year 1982, \$1.019 billion was allocated among the 50 States and Puerto Rico for the Small Cities Program compared with about \$926 million in fiscal year 1981.

OVERVIEW OF STATE PROGRAM

Delaware was one of the first States to elect to administer the Small Cities Program, beginning with fiscal year 1982. In March 1982, the State formally requested control of the Program and, in accordance with Title I of the Housing and Community Development Act of 1974, as amended, submitted the required program certifications to HUD. The Governor designated the Department of Community Affairs, Division of Housing (DOH), as the State agency responsible for administering the program.

Delaware's program is patterned after HUD's Small Cities Program, with procedures designed to simplify administration. The program focuses on improving housing for low- and moderate-income persons and blending housing and community development activities in support of one another. The program objectives are designed to

- expand housing opportunities and housing choices for low- and moderate-income persons in Delaware;
- protect the public health and welfare of Delaware citizens, especially of low- and moderate-income persons, by
 - (1) preventing or eliminating slums or neighborhood blight and
 - (2) correcting serious deficiencies in public facilities; and
- provide increased economic opportunities for low- and moderate-income persons by supporting community development activities that cannot be provided with other public or private financial resources.

Delaware's DOH developed the State's Small Cities Program using input from several sources. DOH (1) employed a consultant

to evaluate Delaware's community development needs and design a program, (2) conducted a design forum organized by HUD and DOH, and (3) utilized a consortium of public interest groups to provide expertise on program implementation.¹ HUD's role in designing Delaware's program was to provide technical assistance if requested to do so by the State. The Director of Community Planning and Development at HUD's Philadelphia area office said that it provided considerable verbal technical assistance to Delaware and that the State generally patterned its program after the HUD-administered program. According to this official, Delaware chose this design to benefit from HUD's experience and because the communities were familiar with the HUD program procedures.

Delaware's program, as a whole, is designed to benefit principally low- and moderate-income families and individuals. Nine of the 13 projects funded by the State in fiscal year 1982 benefited only low- and moderate-income persons, while the remaining 4 projects benefited areas where 84 to 97 percent of the population was of low and moderate income. Delaware received 22 applications and awarded \$1,555,762 to 13 grantees. The smallest grant was for \$41,125, the average grant \$119,674, and the largest grant \$220,000.

Delaware's 1983 Small Cities Program will incorporate two changes. First, it will allow rehabilitation of renter-occupied dwellings in designated target areas, using loans or loan guarantees for up to 75 percent of the rehabilitation cost. Also, the 1983 program provides an incentive for the use of other funds in conjunction with the Small Cities Program funding. Additional points will be awarded during the rating process to projects which include other funding sources.

¹The consultant's fees were paid as a part of the State's administrative costs--a portion paid from HUD block grant funds, the remainder paid from other Federal funds. The consortium was comprised of seven public interest groups--which included the National Association of State Development Agencies, National Community Development Association, and the Council of State Community Affairs Agencies--that agreed to provide information concerning various issues on the Small Cities Program. The States conducting the forums could request the public interest groups to participate and provide information.

DESCRIPTION OF STATE AND
LOCAL DECISIONMAKING PROCESS

To meet the public participation certifications as required by Title III of the Omnibus Budget Reconciliation Act of 1981, Delaware submitted a detailed list of certifications to HUD and performed various activities to fulfill these requirements for the Small Cities Program. At the local level, specific needs assessments were conducted to determine community development needs, according to the Delaware grantees. They also said that individual citizen participation was an important factor in determining their program needs.

Delaware used a competitive selection system to distribute funding, granting awards to the highest scoring projects. Our review showed a consistent selection process that awarded funds to areas with a high concentration of low- and moderate-income persons. Most often, the funds were directed to projects for housing rehabilitation. The State selected its grantees to reflect its program criteria and objectives and distributed funds according to the policies and procedures it had provided to HUD.

DELAWARE DESIGNED ITS PROGRAM
EMPHASIZING PUBLIC PARTICIPATION

Title III of the Omnibus Budget Reconciliation Act of 1981 requires each State to certify, among other things, that it

- furnished citizens information about the amount of funds available for proposed community development and housing activities and the range of activities that may be undertaken;
- allowed affected citizens or, as appropriate, units of local government, the opportunity to examine and comment on proposed statements of community development objectives and projected use of funds;
- held at least one public hearing to obtain the views of citizens on community development and housing needs; and
- made the final statement available to the public.

Most of the grantee communities conducted needs assessments and included citizen participation in designing their community development projects. The 12 grantees who responded to our questionnaire indicated they had assessments conducted to determine their individual community needs. Also, 11 of the grantees said they had persons other than their communities' government representatives participating in developing plans for carrying out projects and activities under the program.

How public participation
requirements were met

In early March 1982, Delaware's DOH developed a draft of (1) its proposed method for distributing funds, (2) its program policies and procedures, and (3) a statement of its available funds for fiscal year 1982. On March 1, 1982, DOH mailed this package to Delaware's 44 eligible municipalities for their review and comment. On March 4 and 11, 1982, the State published a notification of these documents' availability in the two State newspapers with the largest circulation in Delaware's nonentitlement areas and invited the public to comment on the draft documents.

Delaware undertook two activities to meet the requirement of consulting with local government officials. First, it participated in a February 1982 meeting held by the League of Local Governments, an organization comprised of the chief executive officers of Delaware's incorporated municipalities. Then, the State invited local government officials to the HUD-sponsored technical design forum held in February 1982. The forum provided substantial input to the design of the State's proposed program. The forum's 24 municipality and county participants represented half of the incorporated areas of Kent and Sussex Counties. Also present were five public interest group representatives, five State officials, two HUD officials, and DOH's consultant who prepared the initial plan. According to the DOH Director and the Community Development Coordinator, the program was developed from community suggestions and input from the people who will be most affected by the program. For example, forum discussions resulted in a general consensus on several issues. All the participants indicated that housing rehabilitation, water and sewer improvements, and street improvements were major goals and objectives. They also felt that a maximum funding limitation should be established for each grant category and that funds should be distributed by a competitive application approach.

On the basis of the forum and subsequent discussions with local officials and their staff, DOH revised the proposed internal draft document of policies and procedures, application form, and proposed general statement about the program. For example, the initial plan had suggested that the proportion of funding going to comprehensive grants be about twice as large as those for single-purpose grants. According to the Community Development Coordinator, the communities' preference reversed this ratio so that the single-purpose grants received the larger funding amount. The initial plan had placed a funding cap of \$250,000 on each grant, but the communities recommended that this ceiling be raised to \$400,000. Eventually, the maximum award amount was set at \$300,000 for the program grants.

These revised program documents and the statement were mailed to all eligible local and county governments and were available to the public at DOH in Dover for review and comment. Elected State officials were notified about the program, and State department secretaries were invited to assign a specific staff member to serve as a "contact" for coordinating the program with other State activities. After the review period, a notification of a public hearing on the Small Cities Program was published in Delaware's major newspapers. The State held a public hearing on March 15, 1982, to receive comments and input from local governments and the public on the proposed statements concerning the program. Comments were received and recorded from various sources, such as the City of Bridgeville; the National Council of Agricultural Life and Labor Research Fund, Inc.; Sussex County; the Kent County Planning Office; the Housing Assistance Council in Washington, D.C.; City of Seaford; the Town of Blades; and the University of Delaware. On the basis of testimony received at the public hearing and other written correspondence, the DOH revised its program policies and procedures statement. For example, the administrative cost limitations were increased to 20 percent of the project's cost, or \$50,000 (whichever is less); the distinction between comprehensive and single-purpose grants was dropped; a line item budget form was incorporated into the application; and the citizen participation requirement contained in the policies and procedures statement was strengthened, requiring that the hearing transcripts or a summary thereof be included in a community's application.

The availability of Delaware's final statements on program implementation was publicized through legal notices in two State newspapers on April 2, 1982. Our review showed that the notices were worded so that interested and affected parties would be given an opportunity to submit comments on the final statements. According to Delaware's program coordinator, the statements were also sent to all towns and counties eligible for Small Cities Program funding (44 municipalities from Kent and Sussex Counties and the counties themselves).

Our questionnaire data show that the Delaware communities were primarily notified of the Small Cities Program through meetings and mailings. Eighty-eight percent of the grantees and 78 percent of the unsuccessful applicants received information through meetings, and 75 percent of the grantees and 67 percent of the unsuccessful applicants received information by mailings. All of the grantees who responded indicated receiving information regarding the program's goals and eligibility requirements, while 83 percent said they received information on the award process and administrative requirements. Eighty-nine percent of the unsuccessful applicants said they received information on the eligibility and administrative requirements, and 78 percent received information on the program goals and award process. Ninety-two percent of the grantees and 89 percent of the unsuccessful applicants said the State requested community suggestions on formulating and carrying out the Small Cities Program.

The local communities were generally satisfied with the amount of communication between themselves and the State. The grantees' and unsuccessful applicants' characterizations of the extent of communication between the communities and the State concerning the program, prior to the date of its implementation, were overwhelmingly favorable, as shown below:

<u>Extent of communication</u>	<u>Grantees</u>	<u>Unsuccessful applicants</u>
	(percent)	
More than adequate	21	11
About adequate	71	78
Less than adequate	8	11

Delaware officials were enthusiastic about the State's public participation efforts, citing the number of applications received as a measure of success. They noted that the 22 applications received represented 24 of the 44 eligible municipalities. According to Delaware's Executive Assistant to the Secretary, citizen participation is a strength of the Small Cities Program. The DOH director stated that local communities contributed extensively to the development of the program.

Our discussions with public interest groups also indicated satisfaction with the Delaware public participation efforts. The director of the Delaware League of Local Governments said that the citizen participation was basically adequate, but that many people do not respond to such meetings and that the citizen participation mechanism established at the State level may be somewhat superfluous. Instead, he felt that more emphasis should be placed on citizen participation at the city level because more people would be apt to respond (e.g., communities could combine these meetings with their council meetings).

According to the DOH director, the public hearing to discuss Delaware's program design was held at the State level, but DOH requires local public hearings for each community submitting an application for block grant funds. The executive director of the National Council on Agricultural Life and Labor Research, Inc., stated that the public hearing on the program design had a good turnout and provided substantial input from the citizens. However, he felt that DOH should have organized a task force comprised of people with community development and housing backgrounds to develop the initial Small Cities Program plan, thus utilizing the State's available expertise.

How local communities designed their programs

Eleven of the 12 grantees responding to our questionnaire said that persons other than their community government representatives participated in developing plans for projects

and activities to be funded under the Small Cities Program. Those participating in the planning process were citizens, citizen groups, consultants or contractors, county officials, a council of governments, associations or public interest groups, and a public housing management firm. To obtain information and develop project and activity plans, the individual citizens and citizen groups: (1) made visits or telephone calls or sent letters to community government officials, (2) attended meetings open to the public and public hearings held by the community's government, and (3) attended a formal program where proposals were submitted for suggested projects and activities.

Delaware's applicants also certified that a public hearing had been held for each grant application as part of the submission requirements. The certification had to include a copy of the legal advertisement announcing the hearing and a summary of the hearing's comments.

The 12 grantees also responded that formal assessments of community needs were conducted before they submitted applications. Some of the grantees had more than one official responsible for performing the needs assessments. Specifically, eight grantees had an assessment performed by their community government; two employed a consultant/contractor; four utilized their county government; and five used either the city building code officer, the town council and town manager, or a State or county official. The assessments included information gathered by a variety of procedures, such as a review of existing community statistical data, a visual inspection of community conditions, a review of U.S. Census and county data, and a survey of households.

All 12 grantees who responded to our questionnaire cited individual citizen participation and the specific needs assessments as being important factors in determining the projects and activities they included in their applications. Eighty-eight percent said that the input of citizens groups was important, and 83 percent indicated the general knowledge of the community officials was an important factor in the decisionmaking process. Also, 63 percent of the grantees said that a previously prepared master plan was a helpful factor, and 59 percent indicated that a potential for attracting funding sources other than the block grant funds was beneficial.

DELAWARE ADHERED TO ITS FUNDING DISTRIBUTION METHOD AND SELECTION CRITERIA

In the statement of objectives provided to HUD, Delaware said it would distribute funds in a competitive manner, selecting grantees who had the greatest need and whose applications most adequately addressed the locally determined needs of low- and moderate-income families and individuals, according to the State's program criteria. DOH's review consistently followed

the program criteria and selection system factors in awarding Delaware's funds. Its objective was to provide as much funding to worthy community development activities in as many cities as possible. DOH evaluated each project application and selected and funded the activities which best met program objectives.

Delaware's 22 applications competed against one another and were reviewed and rated by the following five-member committee of individuals from DOH: (1) an in-house architect, (2) a housing specialist, (3) the chief of the financial and multi-family division, (4) a section 8 specialist, and (5) the program coordinator for the Small Cities Program. The committee determined which communities and counties (1) had the greatest need as evidenced by poverty factors and program factors, and (2) adequately addressed locally determined needs of low- and moderate-income persons. In determining the award amounts, DOH considered each applicant's population, need, proposed activities, and ability to carry out the proposed project; \$300,000 was the maximum award amount.

The applications were evaluated on the basis of points awarded in four general areas:

- Need factors (200 points) consist of need and housing indexes that are equally weighted, using data primarily from the U.S. Bureau of the Census and Delaware's Department of Labor. The need index compares poverty, per capita income, unemployment, relative tax effort, equalized value of property, and the trend in per capita personal income. The housing index compares housing units with incomplete plumbing, overcrowded housing units, the percentage of the population below poverty, and the percentage of the population 65 years of age and older. The scores can range from 200 points (most needy applicant) to 50 points (least needy).
- Program factors (300 points) focus on one or more of the following problem areas which are addressed by the applicant: (1) housing, (2) deficiencies in public facilities that affect the public health and safety, and (3) economic opportunities. The projects were compared in terms of impact and assigned points according to their benefit.
- Benefits to low- and moderate-income persons (300 points) involved a computation to indicate the portion of funds benefiting these persons.
- Performance ratings (200 points) involved points awarded on the basis of applicants' past performance in one of the following problem areas: (1) providing housing for low- and moderate-income persons, (2) correcting deficiencies in public facilities which affect public health and safety, or (3) pursuing and promoting programs that

have improved the economic opportunities for members of minority and/or low-income groups.

The consultant who had initially furnished an evaluation of Delaware's community development needs and program objectives acted as an advisor to the committee. Each member was assigned four or five applications to rate in accordance with Delaware's rating system, while the program coordinator and the consultant rated all the applications (the consultant's ratings were not included in the committee's evaluation and scoring procedures). Technical assistants from DOH and other State agencies then provided input on the merits of each project. The committee members, technical assistants, program coordinator, and the consultant then visited the communities and project sites.

Some applications were eliminated by the review committee simply because the benefits were not really directed toward low- and moderate-income persons. Throughout the scoring and funding allocation process, the committee maintained a philosophy that

- funding schedules should be for a 1-year period,
- program design for rehabilitation projects must be of a suitable size and density to allow substantial impact (actual and perceived) as an additional stimulus in providing a positive sense of neighborhood development, and
- activities without a significant impact on community development should be eliminated.

The committee's review and rating process had several steps leading to distribution of funds. The initial review and rating session had allocated the fiscal year 1982 funding to seven projects. However, after this first session, the committee members continued to evaluate the activities of each application and selected only those that seemed best for carrying out the program objectives. Their review process included the following steps:

- The applications were rated on the basis of all their activities.
- The requested funds for each activity were reduced, if necessary, from levels reflecting an 18-month timeframe to levels reflecting a 1-year timeframe.
- Each activity (of each application) was evaluated according to the program criteria to determine which were critical needs--funding remained for those critical activities.
- Funding amounts were reviewed to assure reasonableness if the estimates were considered excessive.

--The ratings were revised on applications with similar activities to correct inconsistencies that may have occurred because of the committee members' individual scoring methods.

In the committee's final analysis, some of the activities and some of the applications were not funded. For example, if an application included an activity that met the program objectives very well, that activity was funded, but other activities on the same application might not have been funded. Or, if the applicant had described a housing rehabilitation project of 18 units to be completed in 18 months, the committee would grant funds to cover rehabilitation of 12 units in 12 months to meet the 1-year completion requirement.

Although the committee's reasons for selecting and rejecting activities for funding were consistent, the changes in the ratings were not always documented. Delaware's Community Development Coordinator could not provide information on how or why some of the scores and funding amounts were adjusted, but he was able to provide reasons to account for some of the individual changes. For example, the total rating scores may have been changed and corrected because of a committee member's computation error, or a revision could have been made to a scoring element after additional information was received on benefits to low- and moderate-income persons. Also, the past performance score could have been changed if the committee felt that the member's initial scoring did not consider all of the circumstances.

The program coordinator stated that some of the scoring was subjective but that the committee reviewed the applications several times to identify activities that best met the Small Cities Program objectives. He also stated that the review committee would take steps to provide for adequate documentation of any scoring changes that occur during the committee's future rating processes. This will substantiate that the ratings and allocation were done in accordance with Delaware's program statement and selection procedures.

Our review of the 22 applications compared the 13 applications receiving awards with the 9 unsuccessful applications. We reviewed the four program factors of the applicants to determine if the respective ratings and the rationale for awarding points were consistent.

Each applicant's need factor was predetermined by DOH according to the need and housing indexes. As previously discussed, this information was obtained from U.S. Bureau of Census data and calculated according to a method developed under a Farmers Home Administration grant.

The program factor points indicating a project's impact were assigned on the basis of how well the proposed activity(s) met the program objectives, according to the committee members' evaluations. Our review showed that the points awarded for each program-factor impact (slight, moderate, or significant) varied within each type, but that the description of impact appeared to be related to the proposed project's benefit to low- and moderate-income persons. The applications judged to have a slight or moderate program-factor impact were those with projects whose beneficiaries included a lower percentage of low- and moderate-income persons, compared with those with projects seen as having a significant impact that most often benefited areas that had a 100-percent low- and moderate-income person population.

The category showing benefits to low- and moderate-income persons was calculated according to the percentage of funds assumed to benefit these persons. For example, if a housing rehabilitation project of \$100,000 would directly benefit 25 persons, of which 20 were of low- and moderate-income, \$80,000 would be assumed to benefit the low- and moderate-income persons (80 percent of \$100,000). In this example, the project would receive 240 points, which represents 80 percent of the maximum points (300) allowable. Therefore, this factor was largely determined by the community's population distribution and the effect of the activity on the specified area. The committee members reviewed the data, verified the applicant's computation, and awarded the appropriate points.

Points were awarded for an applicant's past performance in one of the program's three problem areas. If the applicant could demonstrate outstanding performance and achievement in providing housing, correcting deficiencies in public facilities, or promoting programs of economic opportunities, up to 200 points could be awarded, depending on the applicant's demonstrated degree of success. The unsuccessful applicants received scores ranging from 100 to 175, while the grantees had scores from 135 to 200 points. The committee's scoring worksheets did not specify how the points were assigned, but our review of the past performance category showed that the points appeared to be awarded in a reasonable, consistent manner.

Generally, those applications that had housing rehabilitation activities benefiting areas with a high concentration of low- and moderate-income-level persons scored best and were awarded funding. For example, our review showed the following similarities among several of the 13 recipients:

- Eleven of 13 Delaware projects contained housing rehabilitation activities.
- Nine of 13 projects benefited areas having a 100-percent low- and moderate-income-level population; the remaining

four projects benefited areas having an 84- to 97-percent low- and moderate-income-level population.

- The projects were characterized as being highly beneficial to low- and moderate-income persons and/or having program designs/plans for areas with a high concentration of low- and moderate-income persons.

Comparatively, some of the nine applications receiving the lowest scores (unsuccessful applicants) appeared to lose points for the following reasons:

- Rehabilitation activities did not benefit as high a percentage of low- and moderate-income persons as did successful applicants' activities.
- Principal activity(s) was seen as having a slight impact compared with Delaware's program objectives of targeting areas of substandard housing and persons of low- and moderate-income level.
- The percentages of low- and moderate-income-level persons expected to benefit from the project activity(s) were generally lower than the percentages on applications receiving grants.

CONCLUSIONS

To meet the public participation certifications required by the 1981 act, Delaware performed numerous actions which resulted in extensive input from a variety of sources. Citizens were provided information on the Small Cities Program's funds, eligible activities, and proposed program statement. The local communities were pleased with the amount of communication between themselves and the State prior to the program's implementation, and the majority said that the State had requested their suggestions on how to design the program.

Delaware's DOH and its review committee followed their program criteria, using a competitive selection process and a distribution method that were in accordance with the statement of objectives submitted to HUD. The committee's reasons for selecting and rejecting applications were basically consistent and followed the Small Cities Program objectives. However, the committee's scoring changes made after its initial rating session were not always documented. We discussed this issue with DOH, and it agreed to provide for adequate documentation of any scoring changes that occur during future rating sessions.

COMPARISON OF HUD- AND STATE-FUNDED
ACTIVITIES AND POPULATION TARGETED

Delaware's Small Cities Program is similar to the one previously administered by HUD, in that both awarded the majority of their program funds to private housing rehabilitation and public facility activities. However, Delaware awarded funds to more communities than HUD did and although both programs funded similar activities, HUD directed the greatest portion of its funds to public facility improvements while Delaware most often funded housing rehabilitation projects.

Both HUD's and Delaware's funded activities are reported to primarily benefit low- and moderate-income persons. According to community applications, 94 percent of those benefiting from HUD's funded activities were expected to be low- and moderate-income persons. Ninety-five percent of those benefiting from Delaware's projects were expected to be low- and moderate-income persons. At the time of our review, Delaware was working on a format for reporting to HUD on the State-administered program, which would include data on actual benefits to low- and moderate-income persons.

MAJOR ACTIVITIES FUNDED UNDER HUD'S
1981 PROGRAM AND STATE'S 1982 PROGRAM

Delaware's fiscal year 1982 Small Cities Program resembles the one administered by HUD in fiscal year 1981. However, while both programs awarded a similar level of total funds--about \$1.5 million--the State made over twice the number of awards that HUD made in the previous year. Consequently, the State's awards were generally smaller than HUD's and we found that, on average, they were awarded to smaller communities.

Both programs directed the majority of their funds to public facility and private rehabilitation activities, yet HUD spent a little more on public facilities than on rehabilitation activities, while Delaware spent more than twice on private rehabilitation than on public facilities. Also, eligible activities differed slightly under the two programs. For example, HUD permitted the rehabilitation of renter-occupied dwellings, while Delaware did not. As mentioned on page 5, Delaware will allow rental rehabilitation in the 1983 program. The following table compares awards made by the HUD- and State-administered programs.

Comparison of 1981 HUD and 1982 Delaware Awards

	<u>HUD 1981</u>		<u>Delaware 1982</u>	
Number of awards		6		13
Average size of award		\$239,000		\$119,674
Number of applications for more than one community and funds involved	1	\$250,000	2	\$170,000
Average community size		5,911 ^b		3,798
Grants supported by other funds:				
Number		1		0
Source and amounts:				
Federal		\$87,565 ^c		0
Percentages and dollar awards by activity: ^a				
	<u>HUD 1981</u>		<u>Delaware 1982</u>	
Housing rehabilitation	38%	\$ 548,200	55%	\$ 855,500
Public facilities	46	652,000	22	348,090
Property acquisition	4	52,000	5	72,500
Clearance	0.3	3,800	3	41,500
Other	12	178,000	15	238,172
Total funds awarded	100.3%	\$1,434,000	100%	\$1,555,762

^aPercentages may not total 100 because of rounding.

^bRepresents average size on the basis of five communities--the population for the sixth community was unavailable because it included two unincorporated areas whose populations are not recorded with the Bureau of the Census.

^cOne community's award involved a Community Services Administration grant for \$23,565 and \$64,000 of the community's Small Cities Program award left over from HUD's fiscal year 1980 program and applied to fiscal year 1981 with HUD's permission.

HUD received 15 applications from Delaware communities in fiscal year 1981 and made 6 awards totaling \$1,434,000, while the following year, the State received 22 applications and made 13 awards totaling \$1,555,762. Delaware's grants, therefore, were generally much smaller than HUD's. The State's smallest grant was for \$41,125, its average grant \$119,674, and its largest grant \$220,000; while HUD's smallest grant was for \$135,000, its average grant \$239,000, and its largest grant \$400,000. The following table compares the funding ranges of HUD- and State-awarded grants.

Comparison of Funding Ranges for
HUD and State Awards

	HUD, FY <u>1981</u>	HUD, FY <u>1982</u>
\$0-100,000	-	8
\$100,001-200,000	2	3
\$200,001-300,000	3	2
\$300,001-400,000	1	-
Total awards	<u>6</u>	<u>13</u>

Delaware officials attributed their designation of a relatively large number of awards to the fact that they received far more applications than HUD did in the previous year, coupled with their desire to fund as many of these applications as possible. Delaware's Community Development Coordinator noted that the State received 22 applications in fiscal year 1982 and that in making funding decisions, Delaware aimed to provide as much funding to worthy community development activities in as many cities as possible. According to the State's Director of Housing, no community was considered too small to have its needs addressed. He explained that once Delaware knew that it would not have nearly enough money to fund all the applicants' requests in full, its main goal was to fund those activities which best met program objectives. He further noted that those applicants who received no money at all were not funded because it was felt that the activities for which they requested funds were not as critically needed as those of other applicants. The Community Development Coordinator added that other applicants were not funded simply because their activities were not really targeted to low- and moderate-income persons.

A HUD community planning and development representative said that the relatively large number of applicants Delaware funded was the biggest difference between the HUD- and State-administered programs. He explained that Delaware spread its money much further than HUD did, funding no applicant at its full requested level and cutting back significantly on funding requested for administrative costs.

As can be seen from the table on page 17, the size of the average community to receive a grant was smaller under the State-administered program than under HUD's program--5,911 under HUD, versus 3,798 under the State. The smallest community receiving a grant from HUD had a population of 686, while the smallest community receiving a State grant had a population of 269. Under both HUD and the State, the largest community receiving a grant had a population of 23,512. Delaware's Community Development Coordinator told us that he believed the State's Small Cities Program designers had done a good job in getting small cities to apply for grants.

Delaware's decision to apply more funds to housing rehabilitation activities and less to public facility activities may be explained by State program officials' perceptions of Delaware communities' needs. According to the executive assistant to the Secretary of the Department of Community Affairs, Delaware vested responsibility for the Small Cities Program with its Division of Housing to respond to a critical housing need and to emphasize housing as a principal program area. The Director of Housing explained that poor housing is often a leading cause of blight in a community; he also felt that bringing housing up to standards can be a major achievement in community development. Of the 13 awards that Delaware made, 11 include private rehabilitation activities where each community is rehabilitating as few as 4 and as many as 15 single-family dwellings through direct awards. The State is rehabilitating, in total, 95 single-family dwellings at an average cost of about \$9,000 per unit. Generally, these activities focus on correcting serious housing deficiencies, such as faulty plumbing and electrical systems, and major structural problems.

Delaware communities receiving fiscal year 1982 Small Cities Program funds are conducting four basic activities: (1) housing rehabilitation, (2) public facility improvements, (3) property acquisition, and (4) clearance. (See the table on p. 20 for a breakdown of funds the State awarded by activities and projects.) For the most part, Delaware's projects clearly reflect its program objectives (discussed in enc. II) by improving housing opportunities for low- and moderate-income persons, improving public facilities, and removing slums and blight. Furthermore, about half of the communities receiving funds indicated they had previously conducted activities similar to some they are carrying on under the fiscal year 1982 program.

Total Funds Awarded and Percentages
by Activity and Project for Fiscal Year 1982

<u>Activity/project</u>	<u>Dollars</u>	<u>Percent</u>
Private rehabilitation:		
Single-family housing	\$ 855,500	55
Public facilities:		
Water and sewer	136,190	9
Street improvements	109,000	7
Flood and drainage	100,000	6
Street light plan	2,900	0.2
Property acquisition	72,500	5
Clearance	41,500	3
Administrative costs	<u>238,172</u>	15
Total funds awarded	<u>\$1,555,762</u>	

Delaware's fiscal year 1982 program did not allow funds to be used for rehabilitating renter-occupied housing, although HUD allowed this particular activity in the previous year. The Director of Housing explained that Delaware specifically excluded this activity from being eligible for funds, in part, because he believes that poor conditions in renter-occupied housing should be addressed through legislating and enforcing a minimum-standard housing code for the State. Furthermore, because of the small amount of public funds available, the director said that landlords should use their own funds for bringing their units up to standards. The official noted, however, that Delaware's fiscal year 1983 program will allow loans to be made for the rehabilitation of renter-occupied housing.

The HUD-administered program encouraged a variety of funding instruments, including grants, loans, and leveraging; however, Delaware's program only made use of grants. The State's Community Development Coordinator explained that the State did not want to complicate the first year of its program by permitting loans that could extend beyond the program year. He noted, however, that Delaware will permit loans in its fiscal year 1983 program.

BENEFITS TARGETED TO LOW- AND MODERATE-
INCOME PERSONS UNDER THE 1982 STATE
PROGRAM VERSUS THE 1981 HUD PROGRAM

On the basis of information found in communities' applications, both HUD's and Delaware's activities targeted populations that were largely of low and moderate income. Under HUD's program, 94 percent of those expected to benefit were low- and moderate-income persons, and under Delaware's program, 95 percent of those expected to benefit were low- and moderate-income persons. Applications from both program years also indicated that all the housing rehabilitation activities that were funded were targeted 100 percent to a low- and moderate-income population. Under the State-administered program, the grantees are required to include summary reports when submitting interim and final fund requests to the State. These reports are to include information on the actual benefits to low- and moderate-income persons. Delaware's report to HUD will also show actual benefits to low- and moderate-income persons, based on the projects that were funded. At the time of our review, the State's reporting format was being developed.

Both HUD and Delaware define low- and moderate-income families as those whose incomes do not exceed 80 percent of the median family income of the county where the project is located. In fiscal year 1981, HUD awarded six grants to Delaware communities that funded housing rehabilitation, property acquisition, public facility improvements, clearance relocation assistance, and administrative cost activities. All but one of the six grants were targeted 100-percent to low- and moderate-income populations. The exception was a public facility improvement project which provided potable water to an area with a 61-percent low- and moderate-income population; the remaining 39 percent of the population were above the moderate-income level.

Delaware awarded 13 grants with fiscal year 1982 funds for projects where the percentage of expected beneficiaries who are low- and moderate-income persons range from 84 to 100 percent. All of Delaware's private housing rehabilitation activities are expected to benefit only low- and moderate-income populations. The public facility activities funded generally reduce health and safety hazards for low- and moderate-income persons. The property acquisition activity will not only expand housing opportunities for low- and moderate-income persons but will also eliminate neighborhood blight. Furthermore, the clearance projects will help achieve the objective of eliminating slums and blight.

Delaware's grantees summarize their project activities and update their progress and completion dates whenever they submit a request for funds (drawdown) to the State. The narrative summary highlights the project's current status and reports

actual benefits to low- and moderate-income persons. A close-out report (also narrative form) is required by the State when the recipient requests its last drawdown of funds. According to the Community Development Coordinator, the State verifies the information by monitoring the periodic reports and conducting site visits to the ongoing projects. He noted that the State's goal was to visit each project at least once during the year.

At the time of our review, Delaware had not finalized its requirements for reporting to HUD, but was working with the Council of State Community Affairs Agencies to develop a report plan. The Council identified information needed by HUD in order to make the performance determinations required by law. It is using the description of HUD's required review factors to develop a State reporting format that furnishes the necessary information. According to Delaware's Community Development Coordinator, the performance report will show actual percentages of beneficiaries who are low- and moderate-income persons.

CONCLUSIONS

Delaware's fiscal year 1982 Small Cities Program resembles the program administered by HUD in the previous year, with both programs directing the majority of their funds to public facility and housing rehabilitation activities. However, while both the HUD- and State-administered programs directed substantial portions of their funds to housing rehabilitation activities, the HUD program awarded about 38 percent of its funds to rehabilitation while Delaware spent 55 percent of its funds for this purpose. Also, Delaware made over twice the number of awards that HUD made, although they were generally smaller. In keeping with its program objectives, Delaware targeted populations that were reported to be almost entirely comprised of people with low and moderate incomes.

PERCEPTIONS: COMPARISON OF STATE- ANDHUD-ADMINISTERED PROGRAMS

Officials from the State- and HUD-administered Small Cities Programs, as well as from public interest groups, primarily considered Delaware's program as being successful, and they often cited increased community participation as an indication of the program's achievement. Communities generally perceived Delaware's program as adequate, with most indicating that the program met their local development needs. However, some communities noted shortcomings in the State program, such as its slow drawdown process. Also, the communities generally said that Delaware's program was equivalent to or better than the HUD program in several areas, including application procedures and eligibility requirements.

STATE, HUD, AND OTHER VIEWS ON
STATE AND FORMER HUD PROGRAM

State and HUD Small Cities Program officials, as well as public interest group officials, generally view Delaware's fiscal year 1982 program as being successful, noting, for the most part, positive changes resulting from the program's shift to State administration.

State officials' views

The State Director of Housing discussed factors leading to the success of Delaware's program and the program's long-range impact. He noted that Delaware (1) was able to put together its program, rules, and regulations in a very short period of time; (2) was extremely successful in obtaining community participation; (3) received 22 applications representing 24 of the 44 eligible communities,¹ a larger number than ever received by HUD; and (4) provided funding to 13 of the applicants, a number also larger than HUD funded in previous years. The official said he believes that in the long run, the program's shift from HUD to State administration will mean a more effective and timely response to real community needs in nonentitlement areas. Furthermore, the State's willingness to award funds to smaller communities should create an interest in the block grant program in all communities as well as an awareness of program resources.

Delaware's executive assistant to the Secretary of the Department of Community Affairs and the community development specialist of the Division of Housing said that the State had

¹Delaware has 44 municipalities that are eligible for Small Cities Program funding. The two counties that encompass these municipalities are also eligible for the funds.

encouraged its counties to become active in preparing applications for their smaller communities. This assistance may be responsible for the larger number of applications Delaware received compared with the number HUD received in previous years. According to the community development specialist, the program's transfer to the State has resulted in a more equitable distribution of funds between Delaware's two nonentitlement counties (Kent and Sussex). This official said that about 80 percent of the funding had been awarded to Sussex county in previous years.

HUD official's views

The HUD area office's community planning and development representative responsible for Delaware noted no significant differences in the two programs, and said that, considering this was Delaware's first year administering its own program, the State was doing a good job. He further said that he had received positive feedback from Delaware communities regarding the State-administered program.

The official noted, however, that the HUD-administered program encouraged rehabilitation of renter-occupied housing and allowed lump-sum drawdowns² for communities' rehabilitation projects while the State-administered program did not. He said that this might have had a small effect on Delaware's ability to address its communities' needs in its first program year. For example, not allowing the lump-sum drawdown can slow the process by which contractors get paid. Nonetheless, the official said that Delaware is responsive to its communities' needs and that he believes the State's fiscal year 1983 program will permit loans for rehabilitation of renter-occupied housing as well as lump-sum drawdowns for rehabilitation activities.

Public interest groups' views

The executive director of the National Council on Agricultural Life and Labor Research said that, overall, he was very satisfied with Delaware's administration of its Small Cities Program. He was particularly pleased that the State designed a program that definitely benefits low- and moderate-income persons and focuses on housing rehabilitation. He noted that the State's application process was very good, as its forms were relatively easy to complete. The official further pointed out that the State was responsive to communities, citing changes it

²HUD regulations permit grantees to draw funds from their letters of credit in a single lump sum to establish a rehabilitation fund in one or more private financial institutions for the purpose of financing the rehabilitation of privately owned properties as a part of the recipient's community development program.

made in its program design based on communities' input at public hearings.

The official noted that, given the State's time and monetary constraints, it did an admirable job in designing its program but that there was room for improvement. He said that Delaware should be providing more, and better quality, technical assistance to communities, and he suggested that the State develop a technical assistance plan. Furthermore, he wanted to see the State work with other programs as much as possible, particularly the Farmers Home Administration. For instance, the Small Cities Program might maximize its scarce resources by working in consort with the Farmers Home Administration to improve Delaware's rural housing.

An official from the League of Local Governments, a group representing all the incorporated municipalities of Delaware, believed that the State-administered program has resulted in a more equitable distribution of awards between Kent and Sussex counties. According to him, most of the awards previously went to communities in Sussex County that employed consultants to develop "polished" applications, giving those communities a definite advantage in the award process. The official further said that in his opinion, the State program had a clearer line of accountability than the HUD program, since the Governor was directly responsible for the State program.

VIEWS OF GRANTEEES AND UNSUCCESSFUL APPLICANTS

Questionnaire responses from communities that were successful in their applications for Delaware Small Cities Program funds, as well as those which were unsuccessful, generally pointed to the adequacy of the State's program. For instance, most communities indicated that the State program (1) adequately addressed their needs, (2) provided helpful assistance in applying for awards, and (3) followed award procedures that were fair.

Comparisons of the State- and HUD-administered programs, however, revealed mixed opinions. For example, the majority of communities found the State's application procedures to be less or equally burdensome as HUD's procedures. On the other hand, most communities also found the State's reporting requirements to be more burdensome than HUD's.

For fiscal year 1982, Delaware funded 13 applications and rejected 9. Twelve of the grantees and all 9 unsuccessful applicants responded to our questionnaires. Thus, when all responded to a particular question, a single grantee response represented about 8 percent of the grantee universe and a single unsuccessful applicant response represented about 11 percent of the unsuccessful applicant universe.

Views on State program's strengths

Of those who responded, 43 percent of the grantees and 22 percent of the unsuccessful applicants believed that Delaware's program had strong aspects. Some communities mentioned that site visits by State program officials to communities prior to award designation, as well as other contact, allowed for a better understanding of local community needs. The remaining 57 percent of the grantees and 78 percent of the unsuccessful applicants indicated they did not see particularly strong aspects in the program.

Views on State program's shortcomings

Forty-four percent of the unsuccessful applicants and 59 percent of the grantees saw shortcomings in the State-administered program. Some communities indicated that the most significant shortcomings were the funding drawdown process and the emphasis on housing rehabilitation projects. The drawdown process was characterized by some as being slow and cumbersome, and causing unnecessary delays. Some grantees and unsuccessful applicants stated that too much emphasis was placed on housing rehabilitation projects and not enough on public facility improvements. However, 56 percent of the unsuccessful applicants and 41 percent of the grantees indicated no significant shortcomings were present in Delaware's program.

How adequately does State program meet local community development needs?

Considering the goals and emphasis of Delaware's Small Cities Program, 75 percent of the grantees felt that their local community needs were adequately addressed by the program, and 44 percent of the unsuccessful applicants indicated the same. Seventeen percent of the grantees and 44 percent of the unsuccessful applicants thought the program was less than adequate in this respect, with the remaining respondents saying they had no basis on which to judge this issue.

Did communities receive State assistance in preparing grant applications?

Fifty-four percent of the grantees and 56 percent of the unsuccessful applicants reported receiving assistance from the State government in preparing their applications for Small Cities Program funds, and the majority of both groups characterized the assistance as being helpful. Those receiving assistance rated the State's efforts as follows:

	<u>Grantees</u>	<u>Unsuccessful applicants</u>
	(percent)	
Very great help	23	40
Great help	46	20
Moderate help	31	-
Little or no help	-	40

Of those who indicated they had received State assistance, 69 percent of the grantees said they were offered State assistance without requesting it, and 50 percent of the unsuccessful applicants indicated the same.

Fairness of State's award process

Eighty-three percent of the grantees and 67 percent of the unsuccessful applicants said they were familiar with Delaware's procedures of granting awards. Overall, grantees and unsuccessful applicants similarly perceived the fairness of the award process, as follows:

	<u>Grantees</u>	<u>Unsuccessful applicants</u>
	(percent)	
Fair	60	50
Neither fair/unfair	10	17
Unfair	30	33

Some of the communities believed that certain applications received unequal consideration during the award process. For example, some respondents thought housing activities were given more than equal consideration in the decision process, while public works and water and sewer projects were given less than equal consideration.

Applicants' comparison of State program with former HUD program

Seventy-one percent of the grantees and 89 percent of the unsuccessful applicants said they had previously participated in HUD's Small Cities Program. Grantees and unsuccessful applicants generally agreed that the State's program was equivalent to or better than the HUD program in the following areas:

- Application procedures.
- Eligibility requirements.
- Variety of activities.

--Flexibility in determining the population groups to be served by the projects.

Respondents believed the former HUD program was better than the current State program in the areas of reporting requirements, technical assistance, and reimbursement procedures.

Application procedures

The majority of the respondents said that the State's application procedures were less or equally burdensome than those of the HUD program. The following table provides a detailed breakdown of the respondents' perceptions on this issue.

	<u>Grantees</u>	<u>Unsuccessful applicants</u>
	(percent)	
State, more burdensome	29	25
State, equally burdensome	24	38
State, less burdensome	47	25
State, much less burdensome	-	13

Eligibility requirements

Seventy-seven percent of the grantees and 71 percent of the unsuccessful applicants thought the State's eligibility requirements were equally as difficult as HUD's. However, 24 percent of the grantees thought the State's requirements were less difficult, while 29 percent of the unsuccessful applicants thought they were more difficult.³

Reporting requirements

Thirty-five percent of the grantees said the State's requirements for reporting utilization of funds were less burdensome than or equally as burdensome as those imposed under the HUD-administered program. Sixty-five percent thought the State's requirements were more burdensome.

Variety of activities

Grantees and unsuccessful applicants most often indicated that the State allowed the same variety of eligible projects

³When presenting questionnaire results, percentages of respondents may not total 100 because of rounding.

under its program as HUD did. Sixty-five percent of the grantees said that the State allowed the same variety of projects to be funded as HUD did, and 50 percent of the unsuccessful applicants indicated the same. The remaining three grantees thought the State's variety of eligible activities was of a narrower range, as did 38 percent of the unsuccessful applicants. One unsuccessful applicant indicated no basis on which to compare the variety of activities funded by the State and HUD.

Flexibility in determining population groups

Eighty-eight percent of the grantees and 63 percent of the unsuccessful applicants said they had about the same amount of flexibility under either program in determining which population groups would be served by small cities funds. However, 12 percent of the grantees and 25 percent of the unsuccessful applicants thought that the State program had less flexibility. One unsuccessful applicant indicated no basis on which to judge the flexibility of the two programs.

Technical assistance

The grantees compared the technical assistance provided to their communities under the State program with that previously provided by HUD and, as illustrated below, over half the communities indicated that the State assistance was less helpful.

Grantees

(percent)

State, much more helpful	12
State, more helpful	12
State, equally helpful	24
State, less helpful	24
State, much less helpful	29

State priorities

Communities compared the Delaware and HUD Small Cities Program priorities to determine how consistently each program met their development needs. Forty-one percent of the grantees and 50 percent of the unsuccessful applicants said that the State's program was equally or more consistent than HUD's in meeting their needs. Forty-seven percent of the grantees and 38 percent of the unsuccessful applicants judged the State's program priorities as being less consistent with their needs than those of HUD's program. The remaining respondents indicated they had no basis on which to judge the two programs.

Grant award method

Sixty-three percent of the unsuccessful applicants and about 41 percent of the grantees thought the State's award process was equally as fair as or fairer than HUD's. Thirty-eight percent of the unsuccessful applicants and 47 percent of the grantees considered the process as being less fair, and one grantee indicated no basis on which to make this comparison.

State reimbursements or drawdowns

Delaware's grantees compared the promptness of reimbursements, payments, or drawdowns from the State with their previous experience under the HUD-administered program. The majority of those who responded indicated that the State's payments were much less prompt.

	<u>Grantees</u>
	(percent)
State, equally prompt	24
State, less prompt	12
State, much less prompt	65

According to Delaware's Director of Housing, these payment delays have been addressed by implementing a revised process for reimbursement.

CONCLUSIONS

State, HUD, and public interest group officials generally perceived Delaware's program as being successful, often pointing to increased community participation and the State's responsiveness to that participation as indications of the program's success.

Communities most often categorized the State's program as being adequate, indicating, for example, that it addressed their local needs and followed award procedures that were fair. Most respondents also indicated that the technical assistance provided by the State to communities in preparing their applications was helpful.

However, when grantees were asked to compare Delaware's technical assistance with that previously provided by HUD, most communities indicated that the State's assistance was less helpful. Furthermore, most grantees said that the State was much less prompt than HUD in its reimbursements, payments, or drawdowns. However, Delaware's Director of Housing told us that the State has made revisions to streamline this process and correct payment delays. Despite these criticisms, communities, for the most part, generally said that Delaware's program was equivalent to or better than HUD's program.

OBJECTIVES, SCOPE, AND METHODOLOGY

The primary objectives of this work were to provide the Congress a report on the States' implementation of the Small Cities Community Development Block Grant Program as authorized by the Omnibus Budget Reconciliation Act of 1981 and to provide input to the 1983 reauthorization process on the block grant legislation. This work is part of our ongoing effort¹ to keep the Congress informed of the progress being made in implementing the block grant aspects of the Omnibus Budget Reconciliation Act of 1981.

When we conducted our fieldwork--December 1, 1982, through January 15, 1983²--most States were in the early stages of implementing the Small Cities Program. While essentially all States had selected their 1982 grantees, some States were just completing the grant agreements with the local communities, and only one had started its monitoring work. Accordingly, our work was directed towards reviewing the State decisionmaking process through the selection of grantees, concentrating on the following issues:

- How did States meet their public participation requirements?
- How did States decide to use and distribute Small Cities Program funds and how did that method compare with what they told HUD in their statement of objectives and projected use of funds?
- What projects and activities did the State fund in 1982, and how do they compare with the 1981 HUD-administered Small Cities Program?
- What were the successful and unsuccessful applicants' perceptions on how well a State-administered program meets local needs compared with a federally administered program?

¹In August 1982, we provided the Congress an initial look at States' implementation of the 1981 legislation in our report entitled "Early Observations on Block Grant Implementation," (GAO/GGD-82-79). Also, on the basis of preliminary results of this review on March 9, 1983, we provided a statement for the record before the Subcommittee on Housing and Urban Affairs, Senate Committee on Banking, Housing and Urban Affairs, on our views of States' early implementation of the Small Cities Program.

²Fieldwork in Delaware actually began in October because the State was included in the planning phase of our work.

We reviewed the programs of seven States--Alabama, Delaware, Iowa, Kentucky, Massachusetts, Michigan, and Utah. These seven States were allocated \$150.1 million of fiscal year 1982 Small Cities Program funding. This represents approximately 15 percent of the fiscal year 1982 funds available for small cities and 20 percent of the total funds allocated to those States that elected to administer the program in 1982.

We selected these States on the basis of the progress they had made in implementing the Small Cities Program--we excluded those States that had not essentially completed their selection of recipients by December 1, 1982. We initially based our selection on the 13 States included in our prior review. (See footnote 1 on p. 31.) However, 6 of those 13 States--California, Colorado, Florida, New York, Vermont, and Texas--chose not to administer the program in fiscal year 1982. Three others--Mississippi, Pennsylvania, and Washington--although electing to administer the program, had not completed their selection process by December 1. Therefore, to obtain additional audit coverage and geographic balance, three States were added--Alabama, Delaware, and Utah.

In Delaware, we met with the officials responsible for developing, designing, and implementing the Small Cities Program to obtain information and their views on (1) the State's decisionmaking process and (2) the State's administration of the program as opposed to HUD's administration of the program. We reviewed documents concerning the State's design of the program, public participation efforts, and all grantee applications to obtain detailed data on how local communities were planning to use the Small Cities Program funds.

We also reviewed all the grantee and unsuccessful applications in Delaware to determine if the State selected grantees in accordance with the procedures outlined in its statement of objectives and in accordance with the criteria it set up for that purpose. We examined the selection procedure's four program factors to determine if the respective ratings and the rationale for awarding points were consistent for both the successful and unsuccessful applicants. To accomplish this, we compared the points given for (1) the impact each application received in the program factor category and (2) the past performance category. We also reviewed the category that awarded points for benefits to low- and moderate-income families; points were determined by calculating the amount of funding targeted to benefit low- and moderate-income families as a percentage of the entire funding request. We reviewed the activities and calculations to determine if the activities directly benefited these families and if the points were awarded accordingly. We verified that the correct numbers had been assigned to each applicant on the basis of the need and housing indexes tables (see p. 11).

We also sent questionnaires to all of Delaware's 13 grantees and 9 unsuccessful applicants to obtain perceptions from the local communities on the HUD- and State-administered programs. The response rates for the grantees and unsuccessful applicants were 92.3 and 100 percent, respectively.

The successful applicant questionnaire was designed to obtain information on the local community's input into the State decisionmaking process in designing its program; the way in which the community planned for, applied for, and is using the funding it received; and the community government's views on the way in which the State conducted the program compared with the past HUD-administered program. We asked that the views expressed be those of the highest level government official familiar with the community's experience under the program.

The unsuccessful applicant questionnaire was also designed to obtain information on the local community's input into the State's decisionmaking process in designing its program, the way in which the community applied for funds, and the community government's views on the way in which the State conducted the program compared with the past HUD-administered program. We also asked unsuccessful applicants questions concerning the State's decision not to fund their projects. As in the successful applicant questionnaire, we asked that the views expressed be those of the highest level government official familiar with the community's experience under the program.

We also met with two public interest groups--the Delaware League of Local Governments and the National Council on Agricultural Life and Labor Research, Inc.--to determine their participation in the design of the State program and to obtain their views on the program and its administration.

In addition to visiting the seven States, we conducted our review at HUD headquarters and the HUD regional and area offices that were responsible for administering the 1981 Small Cities Program in the seven States.

At HUD headquarters, we reviewed the Community Development Block Grant Program's legislative history; HUD regulations, handbooks, and notices; and other HUD documents and analyses. We also interviewed office directors and other staff members involved with the Small Cities Program under HUD's Assistant Secretary for Community Planning and Development.

At the HUD Philadelphia regional and area offices, we interviewed community planning and development officials and reviewed appropriate documents to gather information on HUD's role in assisting States in designing their Small Cities Program and to obtain views on the advantages and disadvantages of States administering the Small Cities Program versus HUD. We also gathered detailed information from all of the successful

applications HUD funded in 1981 for the State of Delaware. These data were summarized along with the 1982 successful applicant data and used to show how the funds were used under the State's decisionmaking process versus HUD's decisionmaking process.

Our review was made in accordance with generally accepted government auditing standards.



STATE OF DELAWARE
EXECUTIVE DEPARTMENT
DOVER

PIERRE S. DU PONT
GOVERNOR

March 7, 1983

Mr. Steven J. Wozny
Senior Group Director
Resources, Community and
Economic Development Division
General Accounting Office
Washington, D. C. 20548

Dear Mr. Wozny:

I have reviewed your summary of Delaware's Community Development Block Grant Program. My impression is a most favorable one. I am particularly proud of Delaware's record of implementation in the first year of this program, especially because it was able to fund twice the number of small communities from the same total dollars than occurred in previous years. The cooperative spirit which the report suggests has been achieved between state, local and federal officials involved in this program is an achievement to which our Delaware program can proudly testify.

I also take this opportunity to point out that the documented need for community development activities in the non-metropolitan areas of Delaware exceeds available funds at a ratio of approximately four to one. Thus, a critical ingredient for adding to the success of the State of Delaware's program would be an increase in the total CDBG grant.

Thank you for this opportunity to comment on our Small Cities Community Development experience. I trust your report will find the same favor before the Senate Subcommittee that it has found in my review.

Sincerely,

A handwritten signature in dark ink, appearing to read "PS du Pont".

Pierre S. du Pont
Governor

PSduP M1



SENATE
STATE OF DELAWARE
LEGISLATIVE HALL
DOVER, DELAWARE 19901
302/736-4129

March 1, 1983

Mr. Steven J. Wozny
Room 5250 HUD Building
451 7th ST. S.W.
Washington, D.C. 20410

Dear Mr. Wozny:

Thank you for your letter of February 25 and the enclosed draft of your evaluation of Delaware's implementation of the Small Cities Community Development Block Grant Program.

As chairman of the Senate Committee on Community Affairs, I would like to urge re-authorization of the program, which has, in my opinion, better served the small communities of Delaware than did the previous HUD program.

I am especially interested in the objective of the SCCDBG to "put local officials more clearly at the center of the decision-making process and (reduce) the discretionary power that HUD held over program decisions." That this objective has at least moderately been achieved in Delaware is reflected in the increase in number of grants in 1982 and the decrease in the average population of grant recipient towns and cities.

The parts of the draft report which most concern me are the preceptions of communities that the State was less helpful to communities than HUD in assisting with the preparation of applications, and that the State's reimbursement process is slow and cumbersome.

However, I generally agree with the assessment of the report that the State program has been directed toward that segment of the population which has been targetted and that the selection process was fair and consistent. It is the State's responsibility to iron out any kinks which developed in the first year's implementation of the program and I intend to work closely with the Administration to correct any deficiencies in the program.

March 1, 1983
Mr. Steven J. Wozny
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In conclusion, I might add that perhaps the 30 percent of total CDBG funding allocated to the small cities program may be too low. In Delaware, for instance, the Small Cities Program operates in two of the three counties---Kent and Sussex County---while the other county is eligible for 70 percent of the total grant.

Again, I thank you for sharing the draft report with me and I wish you well at the March 8 hearing before the Senate Subcommittee on Housing and Urban Affairs.

Sincerely,



Ruth Ann Minner
State Senate

RAM:pi